

CAMERON PARISH WATERWORKS  
DISTRICT NO. 10

FINANCIAL STATEMENTS

December 31, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/15/10

CAMERON WATERWORKS DISTRICT NO. 10  
December 31, 2009

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**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
Cameron Parish Waterworks District No. 10

I have audited the accompanying financial statements of the business-type activities and major fund of the Cameron Parish Waterworks District No. 10 (the District), a component unit of the Cameron Parish Police Jury, as of and for the year ended December 31, 2009, which collectively comprise the District's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Cameron Parish Waterworks District No. 10's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Cameron Parish Waterworks District No. 10 as of and for the year ended December 31, 2009, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my reported dated June 26, 2010 on my consideration of the Cameron Waterworks District No. 10's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

Management has not presented the management's discussion and analysis information that the Government Auditing Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The schedule of funding progress on page 23 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in my opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in relation to the basic financial statements taken as a whole.

*Elliott & Assoc. "APAC"*  
Leesville, Louisiana  
June 26, 2010

## **BASIC FINANCIAL STATEMENTS**

CAMERON PARISH WATERWORKS DISTRICT NO. 10

STATEMENT OF NET ASSETS

December 31, 2009

**ASSETS**

**ASSETS**

**Current asset**

Cash and cash equivalents	\$ 2,336,029
Receivables (Note 3):	
Water service customers	24,268
Ad valorem taxes	347,690
Accrued interest	55
Prepaid expenses	<u>500</u>
<b>Total current assets</b>	<b><u>2,708,542</u></b>

**Noncurrent assets**

Capital assets, net of accumulated depreciation (Note 4)	<u>3,642,149</u>
<b>Total noncurrent assets</b>	<b><u>3,642,149</u></b>

<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 6,350,691</u></b>
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The accompanying notes are an integral part of this statement.

**LIABILITIES****Current liabilities**

Deferred revenue—ad valorem (Note 8)	\$194,670
Matured interest payable	11,540
Accounts payable	49,473
Salaries payable	19,851
Deferred revenue—water (Note 8)	11,856
Retirement deductions payable	<u>10,140</u>

**Total current liabilities** 297,530

**Long term liabilities**

OPEB benefits payable (note 6)	<u>5,734</u>
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**Total long term liabilities** 5,734

**TOTAL LIABILITIES** 303,264

**NET ASSETS**

Invested in capital assets	3,642,149
Unrestricted	<u>2,405,278</u>

**TOTAL NET ASSETS** \$6,047,427

**EXHIBIT B**

**CAMERON PARISH WATERWORKS DISTRICT NO. 10**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Assets**  
**For the year ended December 31, 2009**

**OPERATING REVENUES**

Charges for sales and services:

Water sales	\$529,791
Installation service	3,351
Water tap fees	640
Late fees	<u>3,018</u>

**Total operating revenues** 536,800

**OPERATING EXPENSES**

Advertising	114
OPEB benefits(note 6)	5,734
Salaries and related benefits	254,931
Per diem of board members	3,660
Operation of plant	237,366
Depreciation (Note 4)	<u>188,742</u>
<b>Total operating expenses</b>	<u>690,547</u>

**OPERATING LOSS** (153,747)

**NON-OPERATING REVENUES(EXPENSES):**

Ad valorem taxes (Note 3)	316,670
Interest income	<u>6,043</u>

**Total nonoperating  
revenues(expenses)** 322,713

**INCREASE IN NET ASSETS** 168,966

**NET ASSETS - BEGINNING OF YEAR** 5,878,461

**NET ASSETS - END OF YEAR** \$6,047,427

The accompanying notes are an integral part of this statement.



## CAMERON PARISH WATERWORKS DISTRICT NO. 10

## Statement of Cash Flows

For the year ended December 31, 2009

## CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	
Cash payments to suppliers	\$505,793
For goods and service	(146,081)
Cash payments to employees for services	(252,808)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>106,904</u>

## CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

## CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Ad valorem taxes	303,398
Interest paid	11,540
Acquisition of property, plant and equipment	(51,825)
Repayment of indebtedness	(11,540)
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES	<u>251,573</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>9,195</u>
Increase in cash	367,672
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,968,357</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,336,029</u>

## CLASSIFIED AS:

Unrestricted

## TOTAL CASH

\$2,336,029  
\$2,336,029

## RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating income (loss)	\$ (153,747)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	188,742
Changes in assets and liabilities:	
Accounts receivable	33,722
Accounts payable	32,653
Other current liabilities	1,342
OPEB benefits payable	5,734
Retirement Ded. Payable	541
Deferred Revenue	(2,083)
Net cash provided by operating activities	\$ <u>106,904</u>

The accompanying notes are an integral part of this statement.

# CAMERON PARISH WATERWORKS DISTRICT NO. 10

December 31, 2009

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of Cameron Waterworks District No. 10 (the District) conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*. The following is a summary of certain significant accounting policies.

#### **Reporting Entity**

The reporting entity for Cameron Waterworks District No. 10 consists of the Cameron Parish Council, which, as governing authority of the parish, has oversight responsibility over other governmental units (component units) within the parish. In accordance with GASB Codification Section 2100, Cameron Waterworks District No. 10 is considered a component unit of the parish reporting entity because (1) commissioners of the District are appointed by the Cameron Parish Council and (2) the District provides water service to residents within Cameron Parish. While Cameron Waterworks District No. 10 is an integral part of the parish reporting entity and should be included within the financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of Cameron Waterworks District No. 10 and do not present information on the Cameron Parish Waterworks District No.10, the general government services provided by the District or on other component units that comprise the Cameron Parish reporting entity.

The District applies all applicable FASB pronouncements passed on or before November 30, 1989, in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

#### **Fund Accounting**

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

CAMERON WATERWORKS DISTRICT NO. 10  
December 31, 2009

Notes to the Financial Statements (continued)

The District maintains only one fund and it is described below:

Proprietary Fund -

Enterprise Fund

The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**Measurement Focus/Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Basis of Accounting**

The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

**Basic Financial Statements**

The statement of net assets, and related statements of revenues, expenses, and changes in fund net assets, and cash flows display information about the reporting government as a whole. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Cameron Waterworks District No. 7 does not have governmental activities. Its operation is a business-type activity.

CAMERON PARISH WATERWORKS District No. 10  
December 31, 2009  
Notes to the Financial Statements

**Cash and Cash Equivalents**

For the purpose of the statement of cash flows, the District considers all demand deposits and certificates of deposit with an original maturity of three months or less when purchased to be cash equivalents.

**Utility Customer Receivables**

Utility customer receivables on the accompanying Statements of Net Assets are considered to be fully collectible at December 31, 2009. Uncollectible amounts are recognized as bad debts through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of an account.

**Capital Assets**

All capital assets of the proprietary fund are recorded at historical costs. Capital depreciation of all exhaustible capital assets is charged as an expense against their operations. Pre-construction costs associated with the development of the water system, which include engineering, legal, and interest costs are capitalized and will be amortized over their estimated useful lives using the straight-line method. The District maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives and methods are used to compute depreciation:

Buildings	45 years	Straight Line
Improvements other than Buildings	45 years	Straight Line
Equipment, Furniture, and Fixtures	5 years	Straight Line
Automobiles	5 years	Straight Line

CAMERON PARISH WATERWORKS District No. 10  
December 31, 2009  
Notes to the Financial Statements

**Equity Classifications**

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt—consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets—consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets—all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The District uses unrestricted assets only when restricted assets are fully depleted.

**Revenues and Expenses**

**Operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CAMERON PARISH WATERWORKS District No. 10  
December 31, 2009  
Notes to the Financial Statements

Compensated Absences

Annual leave—Upon resignation, death, removal, or other termination of employment of an employee, annual leave accrued to his credit shall be computed and the value thereof shall be paid to him or his heirs, provided that the annual leave has been accrued under established leave regulations and daily attendance record has been maintained for the employee by his supervisor, except that such payment shall not exceed three thousand (\$3,000.00). The rate of pay shall be computed on the basis of the rate employee is receiving at the time of termination.

Sick leave—In no instance shall an employee be paid for any accumulated sick leave left to an employee's credit at the time of termination from the service.

Upon retirement, accumulated annual leave and sick leave may be used to enhance the employee's retirement pension; however, it may not be considered a part of service time.

The cumulative amount of unpaid vacation for the District at December 31, 2009 is not material to the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimated and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

CAMERON PARISH WATERWORKS District No. 10  
December 31, 2009

Notes to the Financial Statements

2. **CASH AND INVESTMENT COLLATERAL**

Under state law, the District may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in United States bonds, treasury notes, time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment.

At December 31, 2009, the District had cash and investments as follows:

	<u>UNRESTRICTED</u>	<u>RESTRICTED</u>	<u>TOTAL</u>
Cash (demand deposits) and certificate of deposit	<u>\$2,336,029</u>	<u>\$---</u>	<u>\$2,336,029</u>

At year end, the carrying amount of the District's deposits (demand deposits and certificates of deposit) was \$2,336,029, and the bank balances were \$2,337,075. A summary of collateralization of bank balances is presented below.

Insured (Federal deposit insurance)	\$ 250,000
Uncollateralized (In accordance with GAAP - See below)	<u>2,087,075</u>
	<u>\$2,337,075</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the District's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

CAMERON PARISH WATERWORKS District No. 10  
December 31, 2009

Notes to the Financial Statements

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times at least equal the amount on deposit with the fiscal agent.

The uncollateralized amount shown above is secured by pledged securities with a market value of \$2,095,550 in the name of the pledging fiscal agent banks in holding or custodial banks. Even though the pledged securities are considered uncollateralized under GAAP, Louisiana Revised Statutes impose a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**3. RECEIVABLES**

Receivables at December 31, 2009 consist of the following:

Ad valorem taxes-unrestricted	\$347,690
Accrued interest	55
Accounts	<u>24,268</u>
Net total receivables	<u>\$372,013</u>

The amount included in the ad valorem receivable on the balance sheet is for ad valorem taxes which attach as an enforceable lien on property as of January 1 of each year. Taxes are levied to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The District utilizes the Cameron Parish Tax Collector/Sheriff to bill and collect its property taxes using the assessed values determined by the tax assessor of Cameron Parish.

For the year ended December 31, 2009, taxes of 4.00 mills were levied on property with assessed valuation totaling \$78,820,782 and were dedicated to the operations of the water district.

The total amount levied was \$315,282. Furthermore, collections of delinquent and protested taxes and other adjustments resulted in total collections of \$316,670.



CAMERON PARISH WATERWORKS District No. 10  
December 31, 2009

Notes to the Financial Statements

**4. CHANGES IN CAPITAL ASSETS**

	Balance 12/31/08	<u>Additions</u>	<u>Retirements</u>	Balance 12/31/09
Land	\$40,120	\$ ---	\$ ---	\$ 40,120
Buildings	5,272	7,600	---	12,872
Improvements other than buildings	5,466,261	---	---	5,466,261
Equipment	168,149	14,027	---	182,176
Furniture /Fixtures	4,945	---	---	4,945
Automobiles	40,953	30,198	---	71,151
Construction in progress	2,563	---	---	2,563
Totals	5,728,263	51,825	---	5,780,088
Accumulated Depreciation	(1,949,197)	(188,742)	---	(2,137,939)
Net capital assets	<u>3,779,066</u>	<u>(136,917)</u>	<u>---</u>	<u>\$3,642,149</u>

Depreciation expense included in the financial statements for the fiscal year is \$188,742.

**5. DEFINED BENEFIT PENSION PLANS**

All permanent employees of the District participate in the Parochial Employees' Retirement System of Louisiana.

Parochial Employees' Retirement System of Louisiana (PERS):  
Plan description -

All permanent parish employees who work at least 28 hours a week are members of the plan. Members of the plan hired prior to January 1, 2007 may retire with thirty years of creditable service at age 55, with ten years of service at age 60, and with 7 years of service at age 65. Members of the plan hired January 1, 2007 or later may retire with thirty years of creditable service at age 55, with ten years of service at age 62, and with 7 years of service at age 67. The retirement allowance is equal to 3% of the member's final compensation multiplied by his years of creditable service. Their retirement allowance may not exceed the greater of 100% of a member's final salary or final compensation. The System also provides disability and survivor benefits. Benefits are established by State statute.

CAMERON PARISH WATERWORKS DISTRICT NO. 10

December 31, 2009

Notes to the Financial Statements

PERS issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619.

Funding policy -

Plan members are required to contribute 9.50% of their annual covered salary and the parish is required to contribute at an actuarially determined rate. The current rate is 12.25% of covered payroll. The contribution requirements of the plan members and the parish are established by State statute. The parish's contributions for the years ended December 31, 2009, 2008, and 2007 were \$4,388, \$4,964, and \$4,636 respectively, equal to the required contributions for each year.

**6. POST RETIREMENT HEALTH CARE AND LIFE INSURANCE BENEFITS.**

From an accrual accounting perspective, the cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended December 31, 2009, the District recognizes the cost of postemployment healthcare in the year when employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the District's future cash flows. Because the District is adopting the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

**Annual Required Contribution.** The District's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, closed amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning January 1, 2009 is \$7,534, as set forth below:

CAMERON PARISH WATERWORKS DISTRICT NO. 10  
December 31, 2009

Notes to the Financial Statements (Continued)

	Medical
Normal Cost	\$ 3,253
30-year UAL amortization amount	<u>4,281</u>
Annual required contribution (ARC)	\$7,534

**Net Post-employment Benefit Obligation (Asset).** The table below shows the District's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2009:

	Medical
Beginning Net OPEB Obligation (Asset) 1/1/2009	\$0
Annual required contribution	7,234
Interest on Net OPEB Obligation (Asset)	300
OPEB Cost	7,534
Contribution	0
Current year retiree premium	<u>-1,800</u>
Change in Net OPEB Obligation	<u>+5,734</u>
Ending Net OPEB Obligation (Asset) 12/31/2009	\$5,734

The following table shows the District's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

Post Employment Benefit	Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation (Asset)
Medical	December 31, 2009	\$7,534	23.89%	\$5,734

**Funded Status and Funding Progress.** In the fiscal year ending December 31, 2009, the District made no contributions to its post employment benefits plan. The plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of January 1, 2009, the first and most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$74,052, which is defined as that portion, as determined by a particular actuarial cost method (the District uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2009, the entire actuarial accrued liability of \$74,052 was unfunded.

CAMERON PARISH WATERWORKS DISTRICT NO. 10  
December 31, 2009

Notes to the Financial Statements (Continued)

	Medical
Actuarial Accrued Liability (AAL)	\$74,052
Actuarial Value of Plan Assets	0
Unfunded Act. Accrued Liability (UAAL)	<u>74,052</u>
Funded Ratio (Act. Val. Assets/AAL)	0%
Covered Payroll (active plan members)	200,868
UAAL as a percentage of covered payroll	36.87%

**Actuarial Methods and Assumptions.** Actuarial variations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the District and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the District and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the District and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**Actuarial Cost Method.** The ARC is determined using the Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Actuarial Value of Plan Assets.** Since this is the first actuarial valuation, there are not any assets. It is anticipated that in future valuations, should funding take place, a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45 will be used.

CAMERON PARISH WATERWORKS DISTRICT NO. 10  
December 31, 2009

Notes to the Financial Statements (Continued)

**Turnover Rate.** An age-related turnover scale based on actual experience as described by administrative staff has been used. The rates, when applied to the active employee census, produce an annual turnover of approximately 5%. The rates for each age are below:

<u>Age</u>	<u>Percent Turnover</u>
18-25	10.0%
26-40	6.0%
41-54	5.0%
55+	4.0%

**Post employment Benefit Plan Eligibility Requirements.** Based on past experience, it has been assumed that entitlement to benefits will commence three years after eligibility to enter the D.R.O.P. Medical benefits are provided to employees upon actual retirement. Most employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2008, retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service. For the few employees not covered by that system, the same retirement eligibility has been assumed. Entitlement to benefits continue through Medicare to death.

**Investment Return Assumption (Discount Rate).** GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

**Health Care Cost Trend Rate.** Because the employer provided medical cost of retirees is limited to a flat \$150 per month, we have assumed a flat 3% annual "trend" as the expected rate of increase in medical cost assuming general inflation will cause the flat amount to increase. Conventional medical trend factors have not been used.

CAMERON PARISH WATERWORKS DISTRICT NO. 10  
December 31, 2009

Notes to the Financial Statements (Continued)

**Mortality Rate.** The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is the mortality rate which the IRS requires to be used in determining the value of accrued benefits in defined benefit pension plans.

**Method of Determining Value of Benefits.** The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for reach retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer pays a flat \$150 per month of the cost of the medical and life insurance combined for the retirees only (not dependents). Because of the combined nature of the flat monthly employer payment, we have valued only the medical benefits.

## 7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District carries commercial insurance as outlined in the following table. Settled claims did not exceed commercial coverage for any of the past three fiscal years.

	LIMITS OF COVERAGE
Workmen's compensation	\$ 225,000
Auto liability	1,000,000
Commercial general liability	2,000,000
District-owned buildings and equipment	125,000

The District covers all other losses, claim settlements, and judgments from operating resources. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The District was not involved in any litigation nor did it have asserted claims lodged against it.

CAMERON PARISH WATERWORKS DISTRICT NO. 10  
December 31, 2009

Notes to the Financial Statements (Continued)

**8. DEFERRED REVENUE-AD VALOREM**

Under the terms of a cooperative endeavor/payment in lieu of taxes agreement between the District and Sabine Pass LNG-GP Inc. agreed upon in 2009, Sabine Pass paid \$194,670 in ad valorem taxes to the District in November 2009.

The \$194,670 represents the latter ten years of ad valorem taxes that Sabine Pass would pay from 2019 to 2028 but given to the District to expedite the District's hurricane recovery process. These funds are recorded as deferred revenue and will not be recognized as revenue until beginning in 2019.

REQUIRED SUPPLEMENTARY INFORMATION



CAMERON PARISH WATERWORKS DISTRICT NO.10  
Johnson Bayou, La.

Schedule of Funding Progress  
For the Year Ended December 31, 2009

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liabilities</u> <u>(AAL)</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Accrued</u> <u>Liabilities</u> <u>(UAAL)</u>	<u>Funded</u> <u>Ratio</u>	<u>Covered</u> <u>Payroll</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u>
January 1, 2009	\$---	\$74,052	\$74,052	0%	\$200,868	36.87%

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W. Michael Elliott, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
CAMERON WATERWORKS DISTRICT NO.10

I have audited the financial statements of the Cameron Waterworks District No.10, as of and for the year ended December 31, 2009, and have issued my report thereon dated June 26, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Cameron Waterworks District No.10, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying summary schedule of current and prior year audit findings and management's corrective action plan as items 09-1(IC) and 09-2(IC), that I consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cameron Waterworks District No.10's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 09-3 (C) that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Elliott & Assoc. "MAC"*

Leesville, Louisiana

June 26, 2010

CAMERON PARISH WATERWORKS DISTRICT NO. 10

Summary Schedule of Current Year Audit Findings  
and Management's Corrective Action Plan  
Year ended December 31, 2009

Ref.No.	Fiscal Year Finding Initially Occurred	Description of finding	Corrective Action Taken	Corrective Action Planned	Name of Anticipated	
					Contact Person	Completion Date

CURRENT YEAR (12/31/09)-

Internal Control:

09-1(IC) Unknown Due to the small number of employees, the District did not have adequate segregation of functions within the accounting system. N/A No response is considered necessary. Rhonda Morrison, Office Admin. N/A

09-2(IC) 2009 The District does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes. No The District has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the District to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation. Rhonda N/A Morrison, Office Admin.

CAMERON PARISH WATERWORKS DISTRICT NO. 10

Summary Schedule of Current and Prior Year Audit Findings  
and Management's Corrective Action Plan (Continued)  
Year ended December 31, 2009

Compliance:

2009.1 Finding: This audit is not being issued within the six months of the close of its December 31, 2009 fiscal year-end.  
This is a violation of ISA R.S. #24:513 (A) (5).

Management response:

The District's Financial statement issuance was delayed due to the auditor's implementation of pre-issuance review process and quality control enhancement.

PRIOR YEAR (12/31/08) -  
There were no findings during the fiscal year ending December 31, 2008.

## SUPPLEMENTARY INFORMATION

**CAMERON PARISH WATERWORKS DISTRICT NO. 10  
SCHEDULE OF COMPENSATION PAID BOARD MEMBERS  
FOR THE YEAR ENDED December 31, 2009**

The schedule of per diem paid to board members was prepared in compliance with House Concurrent Resolution NO. 54 of the 1979 session of the Legislature.

As provided by Louisiana Revised Statute 33:4564, the Board Members received \$60 per diem during 2009.

	<u>Number Attended</u>	<u>Amount</u>
Jessie Simon	12	\$ 720
Nathan Griffin	9	540
Connie Trahan	15	900
Brad Locke	10	600
Kurt Storm	<u>15</u>	<u>900</u>
Totals	<u>61</u>	<u>\$3,660</u>